

ARTHUR
ANDERSEN

APPROVING
AUDITORS

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1991
TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

2124389

Registered Number: 2124389

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1991

The directors present their annual report on the affairs of the group together with the financial statements and auditors' report for the year ended 31 December 1991.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

The principal activity of the group continues to be the ownership and management of the Turnberry Hotel and Golf Courses, and construction of a golf course in the South of England.

Since 1987 various capital improvements have been carried out at the hotel. The construction of the health and leisure centre at the Turnberry Hotel was completed by the year end.

The construction of a new clubhouse at Turnberry has commenced and it is intended to complete this in early 1993.

RESULTS AND DIVIDENDS:

The turnover for the year was £4,491,675 (1990 - £4,791,202) and the loss on ordinary activities before taxation was £2,748,754 (1990 - profit £337,670). The directors recommend that the loss be transferred to reserves and that the accumulated deficit be carried forward.

No dividend is proposed (1990 - £NIL).

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS:

The directors of the company during the year were:

K. Mizuno (resigned 31 January 1991)
T. Niino
A. McMillan
H. Matsurra
K. Nakamura
Y. Matsurra
T. Matsurra (appointed 10 December 1991)
M. Kyanuma (appointed 10 December 1991)
K. Ohtsuka (appointed 10 December 1991)

No director had a beneficial interest in the shares of the company or group at any time during the year.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 9 to the financial statements.

AUDITORS:

A resolution will be submitted at the Annual General Meeting proposing the re-appointment of Arthur Andersen, Chartered Accountants, (formerly Arthur Andersen & Co) as auditors for the ensuing year and authorising the Directors to fix their remuneration.

BY ORDER OF THE BOARD



T KOBAYASHI
COMPANY SECRETARY

41 Vine Street
London

4 December 1992

ARTHUR ANDERSEN

Arthur Andersen LLP

Auditors' Report to the Members of NITTO WORLD CO., LIMITED:

We have audited the financial statements on pages 4 to 22 in accordance with Auditing Standards.

The consolidated financial statements include the development of a golf course and clubhouse in Oxfordshire. Recovery of the development costs of the golf course, which at 31 December 1991 amounted to £9,093,272 and which have increased subsequently to £12,009,131 at 30 June 1992, is dependent upon, inter alia, adequate funding being available for the facilities to be completed and operated successfully. If such funding is not available, adjustments will be necessary to write down the value of the development to its recoverable amount and to provide for any additional liabilities which may arise. The funding of the development to date has been provided by loans from Nitto Kogyo Co., Limited and bank loans guaranteed by Nitto Kogyo Co., Limited which are not secured on the assets of the rest of the group.

In our opinion, subject to the effect of any adjustments which may be necessary to write down the investment in the golf course development and provide for any additional liabilities as may arise, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 1991 and of the loss and cash flows of the group for the financial period then ended and have been properly prepared in accordance with the Companies Act 1985.

Without further qualifying our opinion, we draw attention to note 20, which outlines the impact of subsequent foreign exchange movements on the company and the group.



Chartered Accountants and Registered Auditor

4 December 1992

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1991

	<u>Notes</u>	<u>1991</u>	<u>1990</u>
TURNOVER	1g)&2	£4,491,675	£4,791,202
Cost of sales		(2,755,149)	(2,837,452)
GROSS PROFIT		1,736,526	1,953,750
Other operating expenses	3	(3,933,706)	(934,830)
OPERATING (LOSS)/PROFIT		(2,197,180)	1,018,920
Investment income	4	388,561	414,391
Interest payable and similar charges	5	(1,679,429)	(1,217,027)
Interest capitalised	5	739,294	124,453
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(2,748,754)	340,737
Tax on (loss)/profit on ordinary activities	1i)&7	(5,964)	(3,067)
*(LOSS)/PROFIT FOR THE FINANCIAL YEAR	17	£(2,754,718)	337,670
 *(LOSS)/PROFIT FOR THE FINANCIAL YEAR			
The company		£(2,828,538)	£ 344,358
Subsidiary undertaking		73,820	(6,688)
		£(2,754,718)	£ 337,670

The accompanying notes are an integral part of this profit and loss account.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

CONSOLIDATED BALANCE SHEET -- 31 DECEMBER 1991

	<u>Notes</u>	<u>1991</u>	<u>1990</u>
FIXED ASSETS			
Tangible assets	1a)&9	£37,062,162	£24,051,617
		-----	-----
CURRENT ASSETS			
Stocks	1e)&11	224,333	180,938
Debtors	12	2,631,298	1,851,236
Cash at bank and in hand		694,475	593,168
		-----	-----
CREDITORS: Amounts falling due within one year	13	3,550,106	2,625,342
		(5,197,137)	(6,278,195)
NET CURRENT LIABILITIES		(1,647,031)	(3,652,853)
TOTAL ASSETS LESS CURRENT LIABILITIES		35,415,131	20,398,764
CREDITORS: Amounts falling due after more than one year	14	(29,328,031)	(11,556,941)
NET ASSETS		£ 6,087,100	£ 8,841,823
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	16	£ 8,800,000	£ 8,800,000
Profit and loss account	17	(2,712,900)	41,823
		-----	-----
TOTAL CAPITAL EMPLOYED		£ 6,087,100	£ 8,841,823
		=====	=====

SIGNED ON BEHALF OF THE BOARD ON 4 DECEMBER 1992


H. MATSUURRA

Director

The accompanying notes are an integral part of this balance sheet.

NITTO WORLD CO., LIMITED
COMPANY ONLY BALANCE SHEET -- 31 DECEMBER 1991

	<u>Notes</u>	<u>1991</u>	<u>1990</u>
FIXED ASSETS			
Tangible assets	1d)&9	£27,968,890	£21,737,392
Investment	1c)&10	2	2
		-----	-----
		27,968,892	21,737,394
CURRENT ASSETS			
Stocks	1e)&11	224,333	180,938
Debtors	12	2,127,318	2,693,661
Cash at bank and in hand		370,974	563,240
		-----	-----
		2,722,625	3,437,839
CREDITORS: Amounts falling due within one year	13	(2,257,780)	(4,769,786)
		-----	-----
NET CURRENT ASSETS/(LIABILITIES)		464,845	(1,331,947)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		28,433,737	20,405,447
CREDITORS: Amounts falling due after more than one year	14	(22,413,769)	(11,556,941)
		-----	-----
NET ASSETS		£ 6,019,968	£ 8,848,506
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	16	£ 8,800,000	£ 8,800,000
Profit and loss account	17	(2,780,032)	48,506
		-----	-----
TOTAL CAPITAL EMPLOYED		£ 6,019,968	£ 8,848,506
		=====	=====

SIGNED ON BEHALF OF THE BOARD ON 4 DECEMBER 1992


H. MATSUI
Director

The accompanying notes are an integral part of this balance sheet.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING
STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1991

SOURCE OF FUNDS	1991	1990
Profit or ordinary activities after taxation	£ -	£ 337,670
Add items not involving the movement of funds:		
- depreciation	- - - - -	269,770
Total funds generated by operations	- - - - -	607,440
Increase in creditors due after more than one year	17,771,090	1,212,113
Proceeds from disposal of tangible fixed assets (Decrease)/Increase in net current liabilities, as shown below	8,847	400
	(2,005,822)	3,502,128
	- - - - -	- - - - -
	£15,774,115	£ 5,322,081
	- - - - -	- - - - -
APPLICATION OF FUNDS		
Loss on ordinary activities after taxation	£ 2,754,718	£ -
Deduct items not involving the movement of funds:		
- depreciation	(309,060)	- - - - -
Total funds absorbed by operations	2,445,658	- - - - -
Purchase of tangible fixed assets	13,328,457	5,322,081
	- - - - -	- - - - -
	£15,774,115	£ 5,322,081
	- - - - -	- - - - -
DECREASE/(INCREASE) IN NET CURRENT LIABILITIES		
Stocks	£ 43,395	£ 19,335
Debtors	780,062	272,699
Creditors falling due within one year (other than bank loans and overdrafts)	(2,166,316)	741,001
	- - - - -	- - - - -
Movement in net liquid funds:	(1,342,859)	1,033,035
- cash at bank and in hand	101,307	(1,287,789)
- bank loans and overdrafts	3,247,374	(3,247,374)
	- - - - -	- - - - -
	£ 2,005,822	£ (3,502,128)
	- - - - -	- - - - -

The accompanying notes are an integral part of this statement of source and application of funds.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS - 31 DECEMBER 1991

1. STATEMENT OF ACCOUNTING POLICIES:

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year (with the exception explained in note 18), is set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its wholly owned subsidiary undertaking, the end of whose accounting period is coterminous with that of the parent company. No profit and loss account is presented for Nitto World Co., Limited as provided by s230 of the Companies Act 1985.

c) Investments

In the company's financial statements the investment in the subsidiary undertaking is stated at cost.

d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation as set out in note 9. Cost includes incidental acquisition expenses and interest incurred on projects during the period of development. Interest is capitalised gross, before deduction of related tax relief.

No depreciation is provided on freehold buildings (except where otherwise stated) as the directors are of the opinion that the length of lives and residual values of these buildings are such that no provision for depreciation is required. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis using the following annual rates which are based on the expected useful economic lives of the assets:

Buildings	- 2%
Motor vehicles	- 25%
Plant and equipment	- 10% to 50%
Fixtures and fittings	- 20%

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED):

f) Foreign Currency

Normal trading transactions denominated in foreign currencies are recorded in sterling at exchange rates as of the date of the transaction or the average exchange rate for the year. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

g) Turnover

Turnover is stated at the invoiced value of goods and services provided, exclusive of VAT and net of discounts granted.

h) Leases

Assets acquired under finance leases are recorded in the balance sheet as an asset with an equivalent obligation categorised as appropriate under creditors due within or after one year. The amount recorded as an asset at the start of the lease is the fair value of the asset. The asset is depreciated over the shorter of the lease term and its useful economic life. Obligations related to finance leases represent the total of the minimum lease payments outstanding at the date of the balance sheet. Future finance charges are not included. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance.

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges in the year and future commitments is given in note 19.

i) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities) has been calculated on the liability method.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTE 10 FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED):

i) Taxation (continued)

Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

j) Pension Contributions

The group operates a defined benefits pension scheme. Pension contributions are charged to the profit and loss account on the basis of spreading the cost of providing pensions over the period of employees' services to the company. Further information on pension costs is provided in note 19.

2. SEGMENT INFORMATION:

The group turnover is derived entirely from the Turnberry Hotel and Golf Courses in Scotland.

3. OTHER OPERATING EXPENSES:

	<u>1991</u>	<u>1990</u>
Selling and marketing costs	£ 507,771	£ 534,022
Administrative expenses	1,806,296	1,451,496
Loss/(gain) on exchange movements	1,619,639	(1,050,688)
-----	-----	-----
	£3,933,706	£ 934,830
	=====	=====

4. INVESTMENT INCOME:

Investment income comprises:	<u>1991</u>	<u>1990</u>
Interest receivable	£ 388,561	£ 414,391
=====	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES:

On loan from parent company:	<u>1991</u>	<u>1990</u>
- repayable within five years, not by instalments	£ 273,131	£ 136,678
On bank loans:	.	.
- repayable within 5 years, not by instalments	1,406,298	1,080,349
	=====	=====
	£1,679,429	£1,217,027
	=====	=====

Included above is interest arising on development projects of £739,294 (1990 - £124,453) which has been capitalised and transferred to land and buildings.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION:

	<u>1991</u>	<u>1990</u>
Profit/(Loss) on ordinary activities before taxation or the year is stated after charging/(crediting):		
a) Depreciation	£ 309,060	£ 269,770
b) Auditors' remuneration	26,000	22,500
c) Staff costs (Note 8)	2,204,083	1,931,750
d) Operator's fee	-	52,667
e) Hire of plant and machinery - under operating leases	250	250
f) Other operating lease rentals	5,500	5,500
g) Exceptional item - exchange loss/(gain) arising principally on the translation of bank loans denominated in foreign currencies	1,619,639	(1,050,688)
	=====	=====

7. TAXATION:

The tax charge comprises:	<u>1991</u>	<u>1990</u>
Overseas withholding tax	5,964	3,067
	-----	-----
	£ 5,964	£ 3,067
	=====	=====

8. STAFF COSTS:

Particulars of employees are as shown below.

	<u>1991</u>	<u>1990</u>
Employee costs during the year amounted to:		
Wages and salaries	£1,841,286	£1,602,273
Social security costs	149,600	130,450
Other pension costs	68,931	47,971
Other employee related costs	144,266	151,056
	-----	-----
	£2,204,083	£1,931,750
	=====	=====

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. STAFF COSTS (CONTINUED):

The average weekly number of persons employed by the group during the year was as follows:

	<u>1991</u> Number	<u>1990</u> Number
Office and management	195	191
Casual	31	37
	-----	-----
	226	228
	=====	=====

Directors' remuneration:

Directors remuneration was paid in respect of the highest paid director of the company as follows:

	<u>1991</u>	<u>1990</u>
Fees	£55,000	£ -
Other emoluments	5,500	19,460
	-----	-----
	£60,500	£19,460
	=====	=====

No other directors received any remuneration during the year (1990 - Nil). The Chairman performed his duties in Japan and was remunerated by the ultimate holding company.

9. TANGIBLE FIXED ASSETS:

The following are included in the net book value of tangible fixed assets:

	<u>GROUP</u>		<u>COMPANY</u>
	<u>1991</u>	<u>1990</u>	<u>1991</u>
Freehold land and buildings	£35,268,307	£22,492,762	£26,240,329
Plant and equipment	1,762,126	1,523,038	1,728,561
Fixtures and fittings	31,729	35,817	-
	-----	-----	-----
Net tangible fixed assets	£37,062,162	£24,051,617	£27,968,890
	=====	=====	=====

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. **TANGIBLE FIXED ASSETS (CONTINUED):**

The movement in the year was as follows:

Group

	<u>Freehold Land and Buildings</u>	<u>Plant & Equipment</u>	<u>Fixtures & Fittings</u>	<u>Total</u>
COST:				
Beginning, of year	£22,494,841	£ 2,446,197	£ 18,567	£24,959,605
Additions:	12,790,015	518,894	19,548	13,328,457
Disposals:	(8,150)	(8,075)	(714)	(16,939)
End of year	35,276,706	2,957,016	37,401	38,271,123
DEFRECIATION:				
Beginning, of year	2,067	905,022	887	907,976
Charge	6,332	297,943	4,785	309,060
Disposals:	-	(8,075)	-	(8,075)
End of year	8,399	1,194,890	5,672	1,208,961
NET BOOK VALUE, end of year	£35,268,307	£ 1,762,126	£ 31,729	£37,062,162

Additions to freehold land and buildings include interest capitalised for the period amounting to £739,294 (1990 - £124,453) on capital borrowed to finance construction projects. Cumulative interest capitalised within freehold land buildings amounts to £863,747 (1990 - £124,453).

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. **TANGIBLE FIXED ASSETS (CONTINUED):**

The movement in the year was as follows:

Company

	<u>Freehold Land and Buildings</u>	<u>Plant & Equipment</u>	<u>Total</u>
COST:			
Beginning of year	£ 20,214,354	£ 2,426,412	£ 22,640,766
Additions	6,025,975	497,428	6,523,403
Disposals	-	(8,075)	(8,075)
End of year	26,240,329	2,915,765	29,156,094
DEPRECIATION:			
Beginning of year	-	903,374	903,374
Charge	-	291,905	291,905
Disposals	-	(8,075)	(8,075)
End of year	-	1,187,204	1,187,204
NET BOOK VALUE, end of year	£ 26,240,329	£ 1,728,561	£ 27,968,890

10. **FIXED ASSET INVESTMENTS:**

The following are included in the company's net book value of fixed asset investments:

	<u>Company 1991</u>	<u>Company 1990</u>
Subsidiary undertaking	£ 2	£ 2

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. FIXED ASSET INVESTMENTS (CONTINUED):

The parent company has an investment in the following subsidiary undertaking.

	<u>Country of registration</u>	<u>Principal activity & country of operation</u>	<u>Description & proportion of shares held</u>
Nitto Albion Company Limited	England	Golf Course construction in England	100% ordinary share capital
Investment in subsidiary undertaking		<u>1991</u>	<u>1990</u>
Cost:			
Beginning of year		£ 2	£ -
Additions		-	2
End of year		£ 2	£ 2
Net book value		£ 2	£ 2

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. STOCKS:

The following are included in stocks:

	<u>GROUP AND COMPANY</u>	
	<u>1991</u>	<u>1990</u>
Glass, crockery and silverware	£ 99,474	£ 77,600
Food and beverage	105,789	85,833
Other	19,070	17,505
	-----	-----
	£ 224,333	£ 180,938
	=====	=====

The directors consider that there is no significant difference between the balance sheet value and the replacement cost of stocks at the balance sheet date.

12. DEBTORS:

The following are included in debtors:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
Trade debtors	£ 274,540	£ 327,273	£ 274,540	£ 327,273
Prepayments and accrued income	173,166	191,043	163,862	185,364
VAT	746,616	75,565	258,574	52,520
Amounts due from other group undertakings	1,436,976	1,257,355	1,430,342	2,128,504
	-----	-----	-----	-----
	£2,631,298	£1,851,236	£2,127,318	£2,693,661
	=====	=====	=====	=====

Included within amounts due from other group undertakings is £723,047 (1990 - £687,679) due after more than one year.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
Trade creditors	£ 171,314	£ 50,782	£ 151,086	£ 50,519
Amounts due to group undertakings	3,795,932	2,420,183	1,114,462	966,833
Current portion of finance lease obligations	28,106	-	26,014	-
Accruals and deferred income	1,143,140	487,933	912,725	435,656
Payments on account	-	26,915	-	26,915
Other creditors:				
- social security and PAYE	58,645	45,008	53,493	42,489
Bank Loans	-	3,247,374	-	3,247,374
	-----	-----	-----	-----
	£5,197,137	£6,278,195	£2,257,780	£4,769,786
	=====	=====	=====	=====

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

The following amounts are included in creditors falling due after more than one year:

	<u>GROUP</u>	<u>COMPANY</u>	<u>GROUP AND COMPANY</u>
	<u>1991</u>	<u>1991</u>	<u>1990</u>
Loans due to parent company (see below)	£ 5,783,063	£ 4,007,887	£ 2,387,887
Bank loan (see below)	23,474,429	18,341,617	9,169,054
Obligations under finance leases (see below)	70,541	64,265	-
	-----	-----	-----
	£29,328,033	£22,413,769	£11,556,941
	=====	=====	=====

Loans due to the parent company comprise of numerous loans, on which, interest is charged in the range of 6% - 8.125%. These borrowings are repayable as follows:

	<u>GROUP</u>	<u>COMPANY</u>	<u>GROUP AND COMPANY</u>
	<u>1991</u>	<u>1991</u>	<u>1990</u>
Due within 5 years:			
- Within 1-2 years	£ -	£ -	£2,387,887
- Within 2-5 years	1,775,176	-	-
	-----	-----	-----
	£1,775,176	£ -	£2,387,887
	=====	=====	=====

HITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED):

Due wholly or in part by instalments after 5 years:

	<u>GROUP</u> <u>1991</u>	<u>COMPANY</u> <u>1991</u>	<u>GROUP AND COMPANY</u> <u>1990</u>
Other group undertakings	£4,007,887 =====	£4,007,887 =====	£ - =====

Bank loans, all of which are denominated in Japanese Yen, are as follows:

	<u>GROUP</u>	<u>COMPANY</u>
6.25% secured loan repayable in May 1994	£5,130,000	£5,130,000
6.25% secured loan repayable in July 1994	5,132,811	5,132,811
6.25% secured loan repayable in June 1995	1,069,335	1,069,335
6.25% secured loan repayable in June 1995	1,069,335	1,069,335
7.8125% secured loan repayable in April 1996	1,670,000	1,670,000
7.9125% secured loan repayable in January 1996	2,566,405	2,566,405
7.9125% secured loan repayable in February 1996	1,703,731	1,703,731
8.25% secured loan repayable in August 1996	1,283,203	-
7.675% secured loan repayable in August 1996	1,283,203	-
6.8125% secured loan repayable in August 1996	1,283,203	-
6.8125% secured loan repayable in October 1996	1,283,203	-
	-----	-----
	£23,474,429 =====	£18,341,617 =====

Obligations under finance leases are repayable as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
Within 1 year	£ 28,106	£ -	£ 26,014	£ -
Within 2-5 years	70,541	-	64,265	-
	-----	-----	-----	-----
	£ 98,647 =====	£ - =====	£ 90,279 =====	£ - =====

Amounts payable within one year are included in creditors falling due within one year.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

15. DEFERRED TAXATION:

Group and Company

No deferred taxation has been provided at 31 December 1991 (1990 - Nil) due to significant brought forward tax losses.

The amounts of unprovided deferred taxation are as follows:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
Excess of tax allowances over book depreciation of fixed assets	£ 6,979	£ 182,886	£ -	£ 182,886
Other timing differences related to:				
- current assets and liabilities	(6,979)	(182,886)	-	(182,886)
	-----	-----	-----	-----
	£ -	£ -	£ -	£ -
	=====	=====	=====	=====

16. CALLFD-UP SHARE CAPITAL:

		<u>1991</u>	<u>1990</u>
Authorised:			
95,800 (1990 - 88,000) ordinary shares of £100 each		£9,680,000	£8,800,000
		=====	=====
Allotted, called-up and fully-paid:			
88,000 (1990 - 88,000) ordinary shares of £100 each		£8,800,000	£8,800,000
		=====	=====

17. RESERVES:

Of total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
NON-DISTRIBUTABLE:				
Profit and loss account deficit				
BEGINNING OF YEAR	£ (41,818)	£ 295,852	£ (48,506)	£ 295,852
	=====	=====	=====	=====
Loss/(profit) for the year	2,754,718	(139,508)	2,828,538	(249,128)
Prior year adjustment	-	(198,162)	-	(95,230)
	=====	=====	=====	=====
Loss/(profit) for the year as adjusted	2,754,718	(337,670)	2,828,538	(344,358)
	=====	=====	=====	=====
END OF YEAR	£2,712,900	£ (41,818)	£2,780,032	£ (48,506)
	=====	=====	=====	=====

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. CHANGE IN BASIS OF ACCOUNTING

The group changed its accounting policy by capitalising interest costs incurred on projects during the period of development and by capitalising all costs directly attributable to projects during the development period during the year ended 31 December 1991.

The effect of this change in accounting policy has been to increase reserves at 31 December 1990 by £198,167 and to decrease the loss for the year ended 31 December 1991 by £805,973.

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments:

At the end of the year, capital commitments were:

	<u>GROUP</u>	<u>COMPANY</u>		
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
Contracted for but not provided for	£11,462,642	£4,251,861	£7,362,642	£4,251,861
Authorised but not contracted for	2,000,000	-	-	-
	-----	-----	-----	-----
	£13,462,642	£4,251,861	£7,362,642	£4,251,861
	=====	=====	=====	=====

b) Lease commitments:

The company has entered into non-cancellable leases in respect of property, plant and equipment, the payments for which extend over a period of up to 8 years. The total rental for 1991 was £29,421 (1990 - £90,173).

The minimum annual rentals under the foregoing leases are as follows:

	<u>GROUP</u>	<u>COMPANY</u>	<u>COMPANY</u>	<u>GROUP AND COMPANY</u>
	<u>1991</u>	<u>1991</u>	<u>1990</u>	
Operating leases which expire				
- within 1 year	£ 29,334	£ 29,334	£ 11,002	
- within 2-5 years	82,853	59,853	87,995	
- after 5 years	3,118	3,118	2,149	
	-----	-----	-----	-----
	£ 115,305	£ 92,305	£ 101,146	
	=====	=====	=====	=====

c) Pension arrangements:

The parent company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the parent company, being invested by independent fund managers.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (CONTINUED):

c) Pension arrangements (continued):

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the parent company. The contributions are determined by a qualified actuary on the basis of valuations using the attained age method.

The most recent valuation was as at 1 January 1991. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.5% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 4% per annum.

The pension charge for the year was £91,100 (1990 - £47,971). This included a credit of £5,300 (1990 - £3,029) in respect of the amortisation of experience surpluses that are being recognised over 10 years, the average remaining service lives of employees.

The most recent actuarial valuation showed that the market value of the scheme's assets was £578,072 and that the actuarial value of those assets represented 110% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees has been 13% and 7.2% respectively from 1 January 1991.

20. SUBSEQUENT EVENTS:

a) Investments in subsidiaries

On 28 February 1992 a subsidiary company, Nitto Albion Company Limited, acquired all of the ordinary £1 shares in Calveraction Limited. The consideration given was £2 with a fair value of £2. On 19 June 1992, Calveraction Limited increased its share capital to 50,000 ordinary shares of £1 each all of which were purchased by Nitto Albion Company Limited.

On 23 June 1992, Nitto Albion Company Limited acquired all of the ordinary £1 shares in Masonscan Limited. The consideration was £2 with a fair value of £2.

On 23 June 1992 the subsidiary company, Nitto Albion Company Limited, changed its name to Nitto (Oxfordshire) Limited.

On 20 June 1992 the subsidiary company, Calveraction Limited, re-registered as Calveraction plc.

On 30 July 1992 Masonscan Limited, the subsidiary company, changed its name to Nitto Albion Limited.

NITTO WORLD CO., LIMITED AND SUBSIDIARY UNDERTAKING

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

20. SUBSEQUENT EVENTS (CONTINUED):

b) Exchange rate fluctuations

Due to the fluctuations in the foreign exchange markets the amount owed in respect of Yen denominated bank loans and amounts due in respect of Yen denominated intercompany loans have altered significantly. Subsequent to year end an exchange loss of £4.5m approximately on the Yen denominated loans has arisen in the company and a £6.5m loss has arisen in the group.

Due to this exchange rate movement the company and group are (as at 10 November 1992) technically insolvent. As a result the parent company has confirmed in a letter to the directors of the company that it will not demand any repayment of loans and interest due to the parent until such time as the group and company returns to solvency.

c) Debenture issue

On 1 October 1992 Nitto Albion plc issued a prospectus offer for the subscription of debentures in Nitto Albion plc by applicants for membership of The Oxfordshire Golf Club. The purpose of this debenture issue is to secure the long term financing of the golf course development and to attract club members.

21. ULTIMATE PARENT COMPANY:

The ultimate parent company is Nitto Kogyo Co., Limited, a company incorporated in Japan.

The smallest and largest group in which the results of Nitto World Co. Limited are also consolidated, is that headed by Nitto Kogyo Co., Limited.